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PRAGUE FOR DAN GELMAN AND PATRICK ELLSWORTH

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TAGS: [ETTC](#) [KOMC](#) [EZ](#)
SUBJECT: BLUE LANTERN OUTREACH TO PRAGUE: DISCUSSIONS WITH
EMBASSY, GOVERNMENT OF CZECH REPUBLIC OFFICIALS, AND
INDUSTRY

REF: 2006 BLUE LANTERN GUIDEBOOK

Classified By: Classified By: David Trimble, PM/DTCC

¶1. (U) Summary: Representatives from the Bureau of Political-Military Affairs Directorate of Defense Trade Controls met September 8-9 with Embassy Prague, Czech Ministry of Defense (CMOD), Ministry of Trade and Industry officials (MTI) and local defense industry to discuss the Blue Lantern end-use monitoring program and related defense trade issues. DDTC team met with Embassy staff to discuss end-use monitoring best practices and receive insights on how recent developments in the bilateral relationship, such as missile defense and the new SOFA regime, will impact DDTC's Blue Lantern objectives. DDTC team briefed CMOD officials on Blue Lantern and discussed Czech Republic's defense acquisition and export control systems. Embassy and DDTC also conducted a Blue Lantern site visit to Lom Praha, a private company, to discuss their business relationship with CMOD and inquire about a pending export license involving a large quantity of navigational component parts for the Mi-171 helicopter. Washington believes that the outreach visit achieved goals of improving CMOD's understanding of U.S. export control laws and regulations, strengthening country team's knowledge of Blue Lantern program, and enhancing DDTC's knowledge of Czech defense industry and military procurement system.

PURPOSE OF TRIP AND MEMBERS
OF BLUE LANTERN TEAM

¶2. (U) Administered by the Office of Defense Trade Controls Compliance (PM/DTCC) and pursuant to the Arms Export Control Act (AECA), Blue Lantern is a global program designed to verify the end-use, end-users, and final destinations of commercially exported defense articles, technology and services under control of the International Traffic in Arms Regulations (ITAR). This visit was part of PM/DDTC's ongoing efforts to improve the effectiveness of Blue Lantern through outreach visits with Embassies and host governments. The DDTC Blue Lantern team consisted of Tim Watkins, Compliance Specialist, PM/DTCC/RAD and Tim Mazzairelli, Compliance Specialist, PM/DTCC/RAD.

EMBASSY PRAGUE TEAM MEETINGS

13. (U) DDTC team provided a background briefing on Blue Lantern for DCM Mary Thompson-Jones, Defense Attache Col. Lindemann, FCS Senior Commercial Officer Greg O'Connor, POLEC Counselor Charles Blaha, and Political Officer Dan Gelman and discussed the Blue Lantern environment in Czech Republic. DCM briefed team on policy priorities facing post and explained how they may impact end use monitoring efforts. Missile defense, the visa waiver program, and the Republic's pending assumption of the EU presidency in 2009 are the three main issues affecting the bilateral relationship. For the Czechs, these issues are inter-related to a certain degree in that all serve to raise the profile of the Republic as a medium-sized country that punches above its weight class in matters of national security. DCM urged DDTC to emphasize this status when explaining to the Czechs that important defense trade partners are often the focus of more end-use monitoring checks and should be viewed as a result of its growing military partnership with the United States. Discussion focused on the low number of unfavorable Blue Lanterns in Czech Republic. The unfavorable cases included parties involved in a defense trade transaction but not listed on the license application (Note: Under ITAR Section 126.13(b) all parties to a license must be listed on the license application.) and one incidence of unauthorized brokering. The Blue Lantern team reiterated that it is a legal obligation of the U.S. applicant to be familiar with and account for every foreign party on a license application. Foreign parties are obligated to possess knowledge of ITAR requirements, and both Embassy Prague (in the course of Blue Lantern engagements with industry) and CMOD (through its regulatory role) should be encouraged to educate local defense firms on these requirements.

14. (S) The Blue Lantern team met with Defense Attache Col. Lindemann, ODC Chief Carl Muehlheuser, and Political Officer Dan Gelman to discuss retransfers and authorizations which govern both foreign military and commercial sales to Czech Republic. The team explained that it is responsible under AECA Section 3 for notifying Congress of unauthorized retransfer or re-exports involving U.S.-provided military equipment acquired via government-to-government channels (e.g., FMS, EDA, MAP). According to Lindemann, the Czechs are striving to implement a new procurement system to manage purchases from many vendors, including requests from U.S. suppliers. The system is facing challenges, in fact, in the course of Enhanced End-Use Monitoring checks for Golden Century, ODC notes that one office within CMOD was not familiar with a purchase to support a program in another office. In general, the Czechs implement excellent physical security standards for storing and safeguarding U.S.-provided military hardware, particularly Night Vision Devices (NVDs). Lindemann explained that it is important to keep in mind the Czech's historical relationship with Russia. Local defense contractors were once state-owned, while officers in the Czech military were trained in Moscow, which impacts the behavior and outlook of the defense community to this day. The Republic's history with Russia may be manifest in the CMOD's reticent attitude towards acting with complete openness and transparency.

DOD had encountered a CMOD inclination to often only provide the bare minimum or just enough information. Lindemann advised DDTC to be prepared for similar challenges and to be vigilant in following up with the Czechs to receive satisfactory responses when conducting Blue Lanterns.

15. (SBU) The group reviewed the commercial retransfer notification process, which is handled via General Correspondence letters submitted to PM/DDTC, and noted that this arrangement differs from the approval process for FMS arms re-transfers. ODC Chief Muehlheuser understood that any retransfer requests involving FMS defense articles must be submitted to PM/RSAT. ODC pledged to keep CMOD officials alert to the re-transfer, end-use and security requirements governing FMS-acquired military hardware and technology in order to prevent triggering reports to Congress pursuant to Section 3 of the AECA.

BRIEFING WITH LEGAT AND STATION

16. (S) DDTC team met with Station and Mark D. Ferbrache, Legal Attache, to provide an overview of the Blue Lantern end-use monitoring program and to discuss specific Blue Lantern end-use monitoring efforts in the Czech Republic. Blue Lantern team inquired about the high numbers of small arms license requests received by DDTC on behalf Czech commercial firms. Embassy confirmed that the majority of these requests were for hunting and sport-shooting purposes. DDTC also briefed Station and Legat on the pending site visit to Lom Praha and sought further information regarding the firm's general business practices, reputation and relationship with CMOD. DDTC indicated that the visit was not an investigation but rather a diplomatic effort to determine the company's reliability as a recipient of USML articles. DDTC expressed concern over possible Russian involvement with Lom Praha, particularly the potential transfer of technical data associated with U.S.-origin military hardware or technology. Station and Legat were unable to confirm Russian involvement in this specific transaction but were, however, able to confirm a significant and active Russian interest in restricted USML articles. Post also noted that China continues to send large trade delegations to the Czech Republic, which have expressed interest in mostly dual-use technologies, but are likely targeting ITAR-controlled technologies such as radar, missile defense, and UAV systems.

BLUE LANTERN BRIEFING TO CZECH REPUBLIC
MINISTRY OF DEFENSE

17. (U) The Blue Lantern team visited the Czech Republic Ministry of Defense (CMOD) to discuss end-use monitoring and CMOD's defense procurement system. DDTC team briefed about 30 officials from CMOD and the participants demonstrated general familiarity with U.S. export control laws. The team stressed the importance of understanding that prior authorization from the Department is necessary before the retransfer or re-export of U.S.-origin defense articles, regardless of whether they were received via foreign military sales or commercial channels. The team provided a detailed explanation of the two channels for acquiring U.S. military technology, distinguishing between Direct Commercial Sales (DCS), where the USG licenses and vets requests but is not directly involved in matching buyer to seller,

and foreign military sales (FMS), where DOD/DSCA is closely involved in arranging all aspects of a transaction and collects a fee for services. However, the team stressed that each procurement path requires end-use monitoring by USG. The CMOD briefing highlighted licensing requirements for its vendors and importers, such as mandating a clear statement of end-use and ensuring that such end-use is consistent with the end-user's area of business. The Blue Lantern team briefed CMOD on the AECA and its implementing regulations, the International Traffic in Arms Regulations (ITAR). After reviewing the organizational structure and regulatory mission of DDTC, the Blue Lantern team provided an overview of its end-use monitoring program and cases specific to Czech Republic.

BLUE LANTERN BRIEFING TO CZECH MINISTRY OF INDUSTRY AND TRADE

18. (U) DDTC team met with Czech Ministry of Industry and Trade (CMIT) representatives to provide a background briefing on the Blue Lantern end-use monitoring program. Head of the Export Control Unit Libuse Cudova and her colleague Zora Ondrejčikova were in attendance. DDTC stressed the U.S. restrictions against the unauthorized retransfer and re-export of USML items. Ms. Cudova explained that her Export Control Unit dealt strictly with dual-use items which are governed by EU regulations prohibiting unauthorized third-country transfers. Cudova commented further that CMIT was the final arbiter of all defense licensing decisions. In the past year CMIT reviewed 1,060 applications for the export of military items, and 150 dual use applications. Ms. Cudova also stated that all enforcement issues were turned over to the State Office for Nuclear Safety indicating that CMIT does not have an internal policing mechanism. CMIT officials also explained that the Czech Republic has its own national munitions list (established in 1994) which is based on the ITAR in its content and control mechanisms, including treatment of Significant Military Equipment (SME), while Wassenaar standards were adopted to address any overlaps. The dual-use control lists and licensing requirements are based on EU standards.

BLUE LANTERN SITE VISIT
TO LOM PRAHA

19. (U) DDTC team conducted a site visit to Lom Praha S. P. (LP) in order to verify its relationship with Czech Ministry of Defense and establish the bona fides of an export involving communication and navigation equipment for the Mi-171 helicopter. On September 9, 2008 Embassy team met with LP officials and concluded that the company displayed a general knowledge of ITAR regulations/restrictions and was able to establish the bona fides of the transaction. Despite concerns over the presence of Russian technicians at the Mi-171 worksite, Embassy team views LP as a reliable recipient of U.S.-origin defense articles and technology (See STATE 120692 13 November 2008 for more details)

110. (U) DDTC would like to express its gratitude to Embassy Prague and especially control officers Dan Gelman and Patrick Ellsworth for their assistance in arranging and executing this highly productive visit.
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